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DRAFT REPORT OF SESSIONAL COMMITTEE I

Rapporteur: Mr. Ricardo Babul (Chile)

Addendum

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(Continued)

151. The representative of Ghana stated that developing countries were at present coming to grips with the problems of internal economic management. His Government had pursued in earnest the policies under the Economic Recovery Programme since its inception in 1983. As a result, Ghana had continued to achieve successive years of growth of real GDP averaging more than 5 per cent over the period 1984-1989. According to preliminary information, however, real GDP was estimated to have grown by only 2.7 per cent in 1990. This slow-down was in part due to the adverse developments in the global economy. For instance, 1990 saw the lowest ever tonnage price for cocoa for nearly two decades. As was well known, his country derived over 60 per cent of all its export earnings from cocoa.

152. Since 1988, Ghana had taken further steps in the face of tremendous social problems, especially in areas such as education, health and rising unemployment, to enhance the liberalization policy of trade and payments initiated in 1983 under the Economic Recovery Programme. As part of the continuing process in the liberalization of the trade and payments system, the Bank of Ghana had, since March 1988, authorized the establishment of the Forex Bureaux where the public can freely purchase or sell foreign currencies at open market prices. Various other measures, such as the abolition of the import licensing system in 1989, had also been taken in line with the Government's policy of decontrolling the economy.

153. He stressed that such bold policies on the part of developing countries would yield positive results only in a healthy international economic atmosphere. It was in this light that he viewed with concern the conclusion drawn by the secretariat in TD/B/1282 that most of the quantitative restrictions or measures which existed before the launching of the Uruguay Round were still in force in December 1990. His Government's analysis was in line with the conclusions of the UNCTAD secretariat that, considering the tariff offers by major industrialized countries as at the end of July 1990, on aggregate basis, the African region was the only one among the developing regions that would experience a net loss in export revenue both in tropical products and natural resource-based products. He believed that the Uruguay Round should not lead to the displacement of any country from any particular market and that it should be mainly trade-creating. He therefore called for urgent corrective action to ensure balanced results of benefit to all countries.

154. The spokeswoman for Group B (Switzerland) stressed that the statement made on behalf of the Group of 77 and the secretariat note (TD/B(XXXVII)/CRP.5 and Corr.1) did not reflect the reality of the negotiations in the Uruguay Round. This reality did not divide the world in two parts, the industrialized and the developing one, or the North and the South; rather the reality was that of a world of variable geometry, where the interests of each country corresponded to the interests of some other, often very different countries, depending on the precise issue at stake. It was important to remember that the negotiating process was still going on. Each Contracting Party of GATT had the possibility to defend its own interests in the Uruguay Round negotiations, alone or with other countries sharing converging interests. The whole dynamic of this Round lay in the active participation of all the Contracting Parties and in the exchange of meaningful concessions during the negotiating process. The statement of the Group of 77, gave the impression that developing countries were exclusively under obligation and received no rights in return. This was not a balanced view. In keeping with the Punta del Este Declaration, industrialized countries were not requesting from developing countries concessions inconsistent with their individual development, or their financial and trade needs. Industrialized countries were simultaneously prepared to put their own concessions on the negotiating table. As had already been stated, the demands of the Group of 77, as described in their statement as well as in the secretariat's documentation, were sometimes difficult to reconcile with each other. Mention had been made of the demands concerning the GSP and MFN treatment. Liberalization of trade on an MFN basis could not always be done jointly with an increase of GSP margins, as requested for example in the negotiation on tropical products. Some developing countries had an interest in the first type of concession; others wanted the other type of measure, and both could not always be added up. To give another example, it was not possible to insist on the one hand on acceptance by all participants of higher levels of discipline and, on the other hand, insist on the importance of the flexible application of trade policy rules and disciplines.

155. She added that the Uruguay Round was a multilateral trade negotiation. It offered all participants the opportunity to obtain a positive outcome. It was not a zero-sum game. This implied, however, that all participants were ready to contribute in a substantive way to the result, even if this meant some pain for each of the participants in certain areas. Everybody had to

give in order to get something. The strengthening of the multilateral trading system and the unambiguous adherence to multilateral rules and disciplines were in the interest of everybody, particularly of the smaller developing and developed trading nations.

156. The representative of Ecuador expressed concern over the disparity between commitment and the actions taken by the various country groupings in the area of protectionism and structural adjustment. He contracted the striking difference between efforts made by developing countries in adopting structural adjustment measures to liberalize their economies with the reluctance of developed countries to embark on similar policies. He cautioned that no policy adopted by developing countries to improve their trade competition conditions would be of any value if the international environment failed to foster better market access to developed countries. Developing countries had incurred severe hardships in the adoption of appropriate measures to meet the pressing needs of their societies and expected States with greater economic power to assume their responsibilities in reversing the protectionist tendencies which impaired economic growth.

157. Turning to the subject of the East-South economic relations which had been discontinued in the Board's discussions, he stressed the need to analyse the manner in which countries in Eastern Europe were being integrated in the world economy as well as the possible consequences of this process. He was concerned at the possible diversion of resources which had until now been intended for developing countries. Adjustment policies in such States that had favourable consequences for exports from developing countries should be encouraged, rather than the opposite trend which would constitute a selective protectionism.

158. He stressed the need to reverse the negative trends which characterized the international environment. There was a need to reach agreements and valid commitments among all country groupings, aimed mainly at the dismantling of protectionism, the support of commodity prices, transfer of technology and financial resources, and, above all, the search for solutions to the foreign debt problem. He also referred to the consequences of the Gulf crisis as a factor which could worsen the international economic situation.

159. The spokesman for the Group of 77 (India) said that his Group had listened with interest to the many statements made on agenda item 2. The statements had been very informative and had shown a positive attitude and constructive spirit of understanding. The Group of 77 appreciated this and wished to respond to a few important points raised in some of the statements.

160. The Group of 77 was happy to note in Group B's statement the appreciation of the autonomous trade-liberalizing measures being increasingly taken in developing countries. Developing countries were being advised to continue this trend on the ground that market-based policies were "the best way towards sustained non-inflationary growth". As in the past, the Group of 77 acknowledged the merits of market-oriented policy provided it was used in a prudent manner which took into account the actual socio-economic realities and development priorities of the countries concerned. It could not be advocated as an unidimensional and doctrinaire approach, or as a panacea for all problems in all countries. As UNCTAD studies, especially the one on the 32 developing countries, brought out, enlightened and effective State intervention together with a prudent reliance on market signals would have the best chance of success. Moreover, the pursuit of efficiency must integrate the larger social objectives, including that of equity.

161. As to the Group B's intentions to encourage developing countries to continue to apply market-based policies and further liberalize their economies, the Group of 77 felt that an approach based on ideology alone would not suffice. The best way to encourage and accelerate the positive trend of trade liberalization and structural adjustment in developing countries was to provide a more favourable external economic environment and the adoption of trade policies which would result in an improved and effective market access for developing countries. Certain sectors, notably agriculture and textiles where developing countries had a competitive edge, continued to be protected heavily through practices which were not market-oriented. The removal of such protectionist barriers and the restoration of free-market forces would go a long way to contributing to the success of the trade liberalization measures which developing countries had been pursuing at enormous socio-economic costs.

162. He noted that Group B's statement also underlined the need for the speedy conclusion of the negotiating process in the Uruguay Round and that it argued that a better integration of developing countries into the multilateral trading system under an improved GATT was essential for the strengthening of an open world trading order. Developing countries were themselves keen on their full and effective participation in the multilateral trading system. However, for this to be possible, certain essential conditions must be met. The developing countries' concerns must be adequately addressed. They must be accorded differential and more favourable treatment and they must be enabled

to participate fully in the decision-making process. For their part, they had been participating in the Uruguay Round in a constructive spirit and had undertaken unilateral trade liberalization; these efforts needed to be recognized and rewarded in the multilateral negotiations.

163. Noting that Group B had argued that the Group of 77 statement on issues and developments in the Uruguay Round of particular interest to developing countries did not reflect the Group B's perceptions of the reality of the negotiations in the Round and that the Group of 77 statement sought to project a clear-cut North-South divide, he said that nowhere in its statement had the Group of 77 talked of a North-South divide. All that his Group had sought to do was to place clearly before the Committee the common aspirations, hopes, expectations, concerns and needs of developing countries in the context of the Uruguay Round. What the Group of 77 was seeking was no more and no less than what had been agreed to by all participants in the Uruguay Round, as clearly spelt out in the Punta del Este Declaration. There also seemed to be a misunderstanding that the Group of 77 had presented the view that developing countries were exclusively under obligation and received no rights in return and Group B had denied that they were being asked to make concessions inconsistent with their individual development, financial and trade needs. But nowhere had the Group of 77 said that developing countries were exclusively under obligation and received no rights in return. What it had stressed was that their rights under the GATT should not be taken away and no new obligations should be imposed which would be inconsistent with their individual development, financial and trade needs. As for a judgement on whether concessions demanded of developing countries were consistent or not with their individual development, financial and trade needs, this was a subjective one and the developing countries certainly felt that the demands made of them in a number of important areas were indeed inconsistent with their individual development, financial and trade needs. Group B had alleged that there were two contradictions in the demands of the Group of 77. One contradiction concerned the inconsistency between a demand for liberalization of trade on an MFN basis and an increase of GSP margins. The Group of 77 saw no inconsistency in stating that, while it favoured liberalization on an MFN basis, in keeping with the objectives of the GSP and need to give differential and more favourable treatment to developing countries the GSP schemes must be substantially improved not only through further reduction of GSP duties or duty-free treatment but also through expanded product and country coverage,

removal of limitations and exclusions and non-tariff barriers to GSP imports. The other so-called contradiction referred to concerned the acceptance of a higher level of discipline by all participants and the insistence on the provision for the flexible application of trade policy rules and disciplines for developing countries. Again, his Group saw no contradiction in this regard. Developing countries remained ready to accept disciplines and thereby strengthen the multilateral trading system provided those rules were not inconsistent with their individual development, financial and trade needs.

164. Finally, it had been stated that the Uruguay Round was not a zero-sum game. Indeed, it was the concern of the Group of 77 that it be a positive-sum game. Both in UNCTAD and in the Uruguay Round itself his Group had been calling for a more balanced approach to the negotiations and for a balanced outcome in which developing countries would also gain something and would not be made to undertake obligations which would impede rather than stimulate their development.

165. It had also been stated by Group B that the issues of structural adjustment, trade liberalization and balance between the public and the private sectors came under the umbrella of national governance. The Group of 77 felt that these issues were much wider in scope and comprised not only national but also international elements. Indeed, their scope had been well-defined in various resolutions of the Board and the Conference.

166. It had also been said that the UNCTAD report presented a biased coverage, dealing only with protectionism and structural adjustment in the developed countries. In this context, he pointed out that the relevant resolutions of the Board and the Conference clearly called for a central focus on the objectives of market access for the exports of developing countries and acceleration of their development. The coverage of the secretariat report was therefore by and large in keeping with the UNCTAD mandate. In any case, the report had given several details of developments in trade in developing countries.

167. The Group of 77 had heard with interest comments made on UNCTAD's role and mandate concerning East-South trade and on the suggestions put forward by his Group in its earlier statement on how to deal with this subject. In this context the Group of 77 wished to make the following clarifications:

(a) The UNCTAD mandate outlined in General Assembly resolution 1995 (XIX) and in Conference resolutions had a clear thrust and direction oriented to the need for accelerating the economic growth and

development of developing countries. UNCTAD's role on East-South trade and economic relations stemmed from that overall objective and was specified in various Conference resolutions, the most recent being the Final Act of UNCTAD VII (paragraph 105, subparagraphs (25) to (29)).

(b) The fact of restructuring and reforms in Eastern Europe, however, did not alter the realities and the problematique of East-South trade and the need to promote it in the broader interest of expansion of world trade. In fact, the complexities of these reforms and their implications further underlined this need.

(c) The Group of 77 appreciated the specific requirements of the countries of Eastern Europe at this critical juncture; but would like to point out that these were being currently addressed in other multilateral forums including ECE, EBRD and some United Nations bodies.

(d) The Group of 77 believed that the strengthening of economic and trade relations between individual countries of Eastern Europe and developing countries on the basis of mutual advantage constituted a major contribution to the expansion of global trade and symmetrical growth of the world economy. This could be facilitated, inter alia, through regular analysis of the implications of economic reforms in Eastern Europe on developments in East-West trade and economic relations.

(e) In suggesting the future modalities of the work of UNCTAD on East-South trade, the Group of 77 had no intention of questioning the domestic policies of the East European countries or their sovereign right to pursue such policies as they considered appropriate. His Group's suggestion was intended only to ensure that the developments in Eastern Europe received the close attention they deserved and to make arrangements in UNCTAD for analysis and information on these reforms for the benefit of trading entitites in both the countries of Eastern Europe and the developing countries. There was an acute need to analyse the implications of the newly emerging and complex realities in this part of the world with a view to arresting the decline in East-South trade which had already started. He hoped that this clarification would dispel any doubts and that the constructive spirit of his Group's suggestions would be appreciated.

168. The representative of Poland, exercising his right of reply in response to the statements of the spokesman for the Group of 77 and of the representative of Egypt, reiterated that Poland did not see any need for a special intergovernmental mechanism in UNCTAD to review and promote trade

between developing countries and the countries of Central and Eastern Europe during their transitional period to a market-economy system. He adduced the following arguments in support of this view:

(a) First, transition led to a rapid convergence between the economic system of Poland with that of market-economy countries. Therefore, relations with developing countries might and should be considered under the general agenda of UNCTAD dealing with North/South relations. Transition did not create specific problems in Poland's relations with developing countries and, thus, no need arose for their singling out.

(b) Secondly, deliberations in UNCTAD on East European countries' trade based on an agenda item referring to relations among countries having different economic and social systems lost its rational justification. On the other hand, Poland did not see any merit in discussing it within a regional context for only this region of the world. If the other regional frameworks for discussion of North-South trade (such as the West European or North American) were introduced, his country might then change its stance in this respect.

(c) Thirdly, no identification of specific means for promotion of trade between Poland and developing countries could be conceived other than those within the compass of the the rules of the world multilateral trading system. Thus, also from that point of view, separate treatment of these issues in UNCTAD was not justified, or even reasonable.

(d) Fourthly, with regard to technical assistance to promote Poland's trade with developing countries, he considered that such assistance should be a business-oriented one. In this connection, he felt that the International Trade Centre (UNCTAD/GATT) answered this consideration and was adequate.

(e) Fifthly, Poland acknowledged the right of developing countries to request the UNCTAD secretariat to undertake studies on the possible impact of economic developments in Poland, including the progress and outcome of the transformation process, on its trade relations with these countries. Such studies, however, should constitute part of the overall programme of secretariat reports prepared under various agenda items dealt with by the organization. Therefore, Poland did not deem it advisable to establish an ad hoc focal point within the secretariat to co-ordinate activities and analyse the issues related to reforms in the countries of Central and Eastern Europe. This task should be performed by the regular units within the secretariat.

(f) Sixthly, referring to his earlier statement in the Committee, he stated that the Polish transformation programme had been undertaken because breaking off with the command economy and the introduction of a market-based economic system constituted an objective necessity. This unprecedented shift was not an exhilarating exercise. It was causing enormous hardships to the Polish society. Under no circumstances might the programme be subordinated to any particular outside interests. Thus any studies undertaken by the secretariat or discussions in UNCTAD with respect to the possible impact of economic reforms in Poland on trade with developing countries should not in any way imply any conclusions to this effect.

(g) Seventhly, the undertaking of the issue of the impact of the economic transformation in Poland on trade with developing countries could not lead to the reintroduction, through the back door, of such an issue as a separate agenda item of UNCTAD deliberations, and/or serve as a reason for calling into being a separate UNCTAD forum or other bodies where such an issue was to be discussed.

(h) Finally, Poland was convinced that its economic transformation would not only improve the economic situation in the country itself but that it would create, in the longer run, favourable conditions for the expansion of its external economic relations and for advantageous trade with developing countries.

169. The representative of the USSR expressed the view that, in the process of integrating East European themes into the general scheme of international trade problems, due attention should be paid to the measures to overcome the difficulties of the transitional period in the East European countries, including their trade with other countries, and in particular with the developing ones. This issue should be duly reflected in preserving appropriate co-ordinating structures within the UNCTAD secretariat. He expressed the hope that the leadership of the secretariat had the same understanding of the mandate given at the previous session of the Board.

Action by Sessional Committee I

170. At the 5th meeting, on 18 March 1991, the spokesman for the Group of 77 (India) introduced a draft resolution on agenda item 2 which he had submitted on behalf of the States members of the Group of 77 (TD/B(XXXVII)/SC.1/L.8).

[To be completed as appropriate]